

The President's Daily Brief

16 May 1969

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FOR THE PRESIDENT ONLY

I. MAJOR PROBLEMS

VIETNAM

The Vietnamese Communists are being cautious in their initial reaction to the President's speech. A pro forma denunciation of the proposal for a mutual troop withdrawal was made by a Liberation Front spokesman in Paris but this was apparently intended to buy time while the entire package was studied in Hanoi. Radio Hanoi did not comment in the first 24 hours and the head of the North Vietnamese delegation in Paris cancelled a scheduled public appearance in Sweden, probably to participate in consideration of the content and format of the official response. First reactions from the rest of the Communist world have been perfunctory and limited to the press; more authoritative reaction will await further study and a cue from Hanoi. Predictably there has been no reaction from Peking.

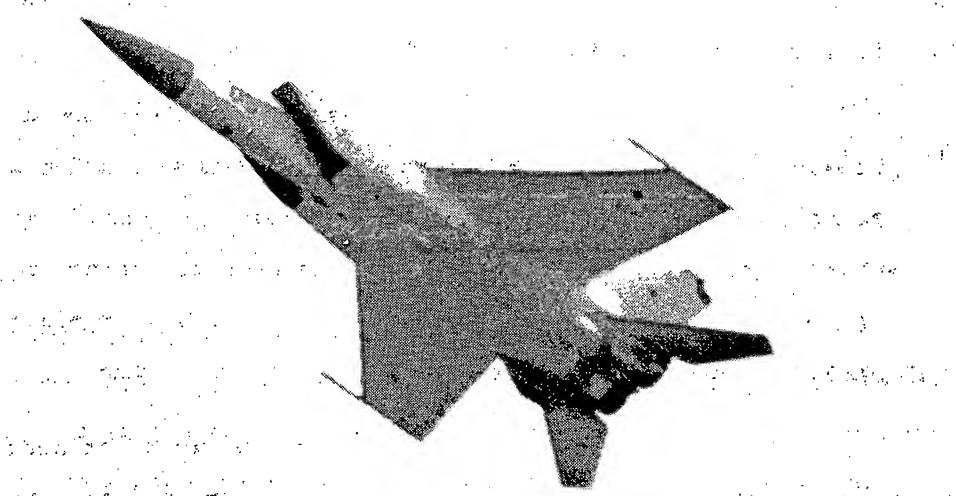
Most South Vietnamese political figures echoed President Thieu's prompt endorsement of the speech and the proposal for mutual troop withdrawals was received enthusiastically. The press in Western and uncommitted countries, as well as the governments, has been studying the speech and editorial comment is still sparse.

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The tempo of enemy-initiated military activity continued to decline and was at a lower level today than yesterday.

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Soviet FOXBAT Interceptor Believed in Limited Production



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Length	65 feet
Span	44 feet
Gross weight	65,000 pounds
Combat radius	420-800 nm*
Maximum speed	1700 knots
Combat altitude ceiling	75,000 feet
Armament	13,200 pounds

*Range varies with armament, speed, and altitude. External fuel tanks may add 160 to 300 more miles.

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EUROPE

An early resumption of the run on the mark is a strong possibility. Although Bonn's proposed measures to counter speculation are virtually certain to be approved by the Bundestag, failure to present a more credible package reflects a deep division in the governing coalition. The relatively small outflow of foreign funds this week suggests that big speculators remain convinced that Bonn will have to revalue eventually.

The anemic domestic restraints announced by the government are not likely to slow down the rapidly developing domestic boom. More severe deflationary measures, however, would inevitably increase the already excessive foreign trade surplus and choke off some of the exports of long-term capital that have thus far balanced the foreign accounts. It is thus probably only a question of time before the authorities will have to resort to revaluation as the sole remaining alternative to severe domestic inflation, a prospect even more distasteful to the population than revaluation.

SOVIET AFFAIRS

Eight "Foxbat" fighters were seen in satellite photography of a week ago at the airframe plant in Gorkiy. This would indicate that the aircraft is now in limited production--not unexpected in view of the extensive testing which took place during the past year.

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The Foxbat, one of the largest fighters the Soviets have developed, holds world records for speed and altitude. It probably will be used as an interceptor, tactical strike and reconnaissance plane. It is the most expensive fighter that the Soviets have produced and may be delivered to operational units more slowly than other models.

MIDDLE EAST

U Thant is considering setting up a special three-man team to study the refugee question, as a companion effort to the four-power search for the outlines of a peace settlement. He mentioned Robert McNamara as a possible US member. Thant thinks a resettlement plan might be built around a long-range economic development program which keys development to absorption of refugees. In any event, he believes it would be unrealistic to expect Israel to take back all the refugees.

II. OTHER IMPORTANT DEVELOPMENTS

MALAYSIA

Despite heavily reinforced security forces, the situation in Kuala Lumpur and vicinity remained tense today. Numerous large fires were seen as of noon (local time) and new ones were being reported at the rate of several an hour. There was also scattered gunfire and a tear gas barrage. Prime Minister Rahman is said to have left for the State of Malacca, where a continuous curfew has been imposed but there is no information of a worsening situation.

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Yesterday, Rahman, blaming Peking for much of the trouble, announced plans for a "national defense force" and invited youth to join "the forces to defend the country against the terrorists." This scarcely veiled call for Malay vigilantism will cause new apprehension among the Chinese, who know that to the Malays, "terrorist" means Chinese.

Furthermore, the suspension of the elections in East Malaysia (Borneo) raises the possibility of disorders spreading to that area. Their outcome would not in any event have affected the government party's majority in parliament, and their postponement will merely fan already strong sentiments for autonomy, particularly in Sarawak.

IRAN-CONSORTIUM

Iran has accepted the consortium's package proposal of about \$930 million in oil revenue and about \$80 million in an interest-free advance payment. This adds up to a little more than the \$1 billion the Shah had demanded for the year which began on 21 March. The advance payment is to be repaid next year, but the consortium has agreed to consider similar advance payments for each of the three years left in Iran's five-year development plan. Despite this, we expect increasingly hard bargaining in the years to come, as the gap between Iranian demands and consortium production estimates widens.

The settlement will doubtless inspire Arab oil states to push for matching hikes in revenues and benefits.

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CHILE

Although presidential elections are sixteen months away, precampaign politicking is seriously dividing President Frei's Christian Democratic Party. A number of leftist leaders and the leaders of the youth group resigned from the party last week because the party assembly voted to run its own presidential candidate rather than join with the Communists and Socialists behind a "popular unity" candidate.

The Christian Democratic candidate will be named this summer. His major task will be to unite the left--the Christian Democrats and all others--particularly on the problems of economic and social development. Radomiro Tomic, former ambassador to the US, remains a possibility. He has stated that he would not run without Communist and Socialist support, however, and both those parties have repudiated him.

Thus far, only one issue has been surfaced that all leftists seem to agree on--the nationalization of the US copper companies. Frei has been trying to avoid such drastic action, offering instead a complicated formula giving the government a greater share of the companies' revenues. The exigencies of politics, however, may force him to accept legislation that goes beyond the limits his plan sets.

Whoever the Christian Democratic candidate is, he probably will face formidable opponents in conservative ex-president Alessandri and pro-Castro Socialist Senator Allende. The Radical Party has not yet decided whether to field its own candidate, and probably will wait to see who the Christian Democrats pick.

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